

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3216 – HB 3603

March 1, 2012

SUMMARY OF AMENDMENT (013605): Deletes all language after the enacting clause. Establishes four additional retirement plan options for employees of political subdivisions of the state following adoption by the respective political subdivision. Such additional plan options will only be available to employees of political subdivisions hired on or after the effective date of this act. Excludes state officials, employees of state-supported institutions of higher learning, and teachers from the four additional retirement plan options. The four additional plan options are as follows: (1) maintain or adopt the current Tennessee Consolidated Retirement System (TCRS) defined benefit plan provisions; (2) maintain or adopt the current Tennessee Consolidated Retirement System (TCRS) defined benefit plan provisions, but require each applicable employee to contribute either zero percent of the employee's salary, 2.5 percent of the employee's salary, or 5.0 percent of the employee's salary; (3) adopt an alternate defined benefit plan which provides a flat retirement benefit formula of 1.4 percent of the employee's average final compensation multiplied by the number of years of creditable service the employee has in TCRS, with certain eligibility conditions for non-public safety officers, and with subsequent benefit adjustments based on changes in the consumer price index; and (4) adopt a hybrid defined benefit plan similar to the alternate defined benefit plan, except for a flat retirement benefit formula of 1.0 percent of the employee's average final compensation multiplied by the number of years of creditable service the employee has in TCRS, with an employer defined benefit contribution component, and cost-of-living adjustments based on changes in the consumer price index.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Potential cost avoidance for local governments in the future. Any future cost avoidance for a local government entity is dependent upon the retirement plan option adopted by the respective local government entity and the employee turnover ratio for the local government entity. Otherwise, the fiscal impact of this bill is considered not significant.

SB 3216 – HB 3603

Assumptions applied to amendment:

- According to TCRS, this bill as amended will present no additional pension liability as written.
- TCRS indicates that any potential savings to local governments will be dependent upon the retirement plan options chosen by local government entities and the turnover ratio for local government employees.
- Any future cost avoidance would only affect local government pension liabilities.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

/rnc